

SOURCE: Imaflex Inc.

Imaflex Reports Strong Q4 and FY 2020 Results and Provides Business Update Announces Record Profitability for Fiscal 2020

- Q4 2020 revenues of \$21.9 million, up 17.1% over 2019; FY 2020 up 6.9% to \$86.7 million
- Gross margins up materially over 2019, coming in at 20.6% for Q4 2020 and 19.1% for FY 2020
- Q4 2020 EBITDA¹ was \$2.8 million, up 91.7% over 2019; FY 2020 up 96.9% to \$12.3 million
- Q4 net income of \$1.7 million, up approximately 454% over 2019
- Record FY 2020 net income of \$6.3 million (\$0.13 per share²), versus \$1.5 million (\$0.03 per share) in 2019
- Cash flow generation remains robust; ended the quarter with over \$3.2 million of cash and no debt on short term credit facility

Montreal, Québec, CANADA – April 15, 2021 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces strong consolidated financial results for the fourth quarter (Q4) and fiscal year (FY) ended December 31, 2020 and provides a business update. All amounts are in Canadian dollars.

“It was a pivotal year for Imaflex, with the Corporation achieving record profitability, largely due to our capital investments permitting revenue growth at a higher contribution than historical norms,” said Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “This trend should continue in 2021 as there remains additional production capacity on these investments, which we are poised to exploit during the year. With this solid foundation, and an impressive product line-up, we are well positioned to drive continued profitable growth.”

Consolidated Financial Highlights (unaudited)

| <i>CDN \$ thousands, except per share amounts (or otherwise indicated)</i> | Three months ended December 31, | | | Years ended December 31, | | |
|--|---------------------------------|--------|----------|--------------------------|--------|----------|
| | 2020 | 2019 | % Change | 2020 | 2019 | % Change |
| Revenues | 21,940 | 18,740 | 17.1 % | 86,682 | 81,071 | 6.9 % |
| Gross Profit | 4,511 | 2,647 | 70.4 % | 16,566 | 10,952 | 51.3 % |
| Selling & admin. expenses | 1,452 | 1,676 | (13.4)% | 7,149 | 7,042 | 1.5 % |
| Foreign exchange & other losses | 965 | 374 | 158.0 % | 533 | 872 | (38.9)% |
| Net income | 1,679 | 303 | 454.1 % | 6,349 | 1,536 | 313.3 % |
| Basic EPS | 0.03 | 0.01 | 200.0 % | 0.13 | 0.03 | 333.0 % |
| Diluted EPS | 0.03 | 0.01 | 200.0 % | 0.12 | 0.03 | 300.0 % |
| Gross margin | 20.6% | 14.1% | 6.5 pp | 19.1% | 13.5% | 5.6 pp |
| Selling & admin. expenses as % of revenues | 6.6% | 8.9% | (2.3) pp | 8.2% | 8.7% | (0.5) pp |
| EBITDA (Excluding FX) | 3,658 | 1,837 | 99.1 % | 12,768 | 7,144 | 78.7 % |
| EBITDA | 2,807 | 1,464 | 91.7 % | 12,349 | 6,273 | 96.9 % |
| EBITDA margin | 12.8% | 7.8% | 5.0 pp | 14.2% | 7.7% | 6.5 pp |

¹ EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization. See “Caution Regarding Non-IFRS Financial Measures” which follows.

² Basic earnings per share (EPS)

Financial Review: Quarter and Year Ended December 31

Revenues

Revenues were up 17.1% over the fourth quarter of 2019, reaching \$21.9 million. Growth was driven by product mix, including heightened sales of 5-layer and metalized agriculture films. As well, sales of converted products were up materially over 2019. During the quarter, product pricing gradually firmed-up over 2019 levels as resin costs continued to rise above the market bottom reached earlier in 2020. As Imaflex has no long-term customer contracts, it is able to adjust product pricing in accordance with resin input costs, although there is usually a 30-day lag between a resin price increase and when customer pricing can be revised.

Revenues came in at \$86.7 million for fiscal 2020, up 6.9% over 2019, while overall extruded film sales volumes on a poundage basis were up 9% year-over-year. Growth was driven by robust flexible packaging sales volumes, along with heightened sales of agricultural films and converted products, partially offset by the lower pricing environment caused by on-going competitive pressures and lower resin prices.

Gross Profit

The quarterly gross profit remained well above prior-year levels, coming in at \$4.5 million or 20.6% of sales as compared to \$2.6 million and 14.1% of sales in 2019. The improvement was largely driven by the positive impact of scale on the business, whereby incremental revenues have a fairly meaningful effect on margins due to the diminished impact of labor and overhead costs relative to sales.

The gross profit for fiscal 2020 was also notably higher, reaching \$16.6 million or 19.1% of sales, versus \$11.0 million and 13.5% of sales in 2019. The increase was driven by the same factors outlined for the quarter. As well, during the front end of 2020 Imaflex benefited from favourable fluctuations in foreign exchange.

Operating Expenses

Selling and administrative expenses were \$1.5 million for the fourth quarter of 2020, down 13.4% from \$1.7 million in 2019, due largely to a decrease in administrative expenses. This, combined with the higher revenue base for the current quarter, also generated lower year-over-year selling and administrative expenses as a percent of sales, which came in at 6.6% for the fourth quarter of 2020, versus 8.9% in the prior year.

For calendar 2020, selling and administrative expenses were \$7.1 million, up slightly from \$7.0 million in 2019 due to increased sales commissions resulting from stronger revenues year-over-year. As a result of the higher revenue base for fiscal 2020, selling and administrative expenses as a percentage of sales were down versus 2019, coming in at 8.2% for calendar 2020 versus 8.7% in 2019.

Due essentially to the depreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange & other loss of \$1.0 million in the fourth quarter of 2020, compared to a loss of \$0.4 million in 2019. This created an unfavourable year-over-year variance of \$0.6 million. A one-time loss of \$0.1 million is included in the current quarter relating to the disposition of assets.

For fiscal 2020, Imaflex recorded a foreign exchange & other loss of \$0.5 million, down from a loss of \$0.9 million in 2019, culminating in a favourable year-over-year variance. A majority of the Corporation's foreign exchange gains and losses are non-cash impacting and largely relate to intercompany balances for which Imaflex can control the time of settlement.

Net Income and EBITDA

Net income came in at \$1.7 million for the fourth quarter of 2020, up 454.1% over the \$0.3 million realized in the prior year. The year-over-year improvement was largely due to the higher gross profit and lower

administrative expenses in the current quarter, partially offset by the higher foreign exchange and other losses versus 2019.

For fiscal 2020, net income was \$6.3 million, up 313.3% over the prior year. The increase was driven by the higher gross profit and lower foreign exchange losses in 2019.

EBITDA stood at \$2.8 million or 12.8% of sales for the current quarter, up materially from \$1.5 million and 7.8% of sales in 2019. On a constant currency basis, EBITDA came in at \$3.7 million (16.7% of sales) for the fourth quarter of 2020, up 99.1% from \$1.8 million (9.8% of sales) in 2019.

For fiscal 2020, EBITDA came in at \$12.3 million or 14.2% of sales, up from \$6.3 million and 7.7% of sales in 2019. Excluding the impact of foreign exchange, EBITDA was \$12.8 million (14.7% of sales) for calendar 2020, up 78.7% from \$7.1 million (8.8% of sales) in 2019.

Liquidity and Capital Resources

Cash flows from operating activities, before movements in working capital and income taxes, stood at \$3.8 million for the fourth quarter of 2020, up from \$1.8 million in the prior year. Including movements in working capital and taxes paid, net cash generated by operating activities was \$2.2 million for the current quarter, versus \$2.7 million in 2019. The decrease over 2019 was largely driven by movements in trade and other receivables and inventories.

For fiscal 2020, cash flows from operating activities, before movements in working capital and income taxes, stood at \$12.8 million, up from \$7.2 million in 2019. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$12.0 million for calendar 2020, versus \$9.7 million in the prior year.

As at December 31, 2020, Imaflex had approximately \$15.2 million of cash available for operating activities, including \$3.2 million of cash and the full \$12.0 million available under its revolving line of credit.

ADVASEAL® Update

As previously announced, Imaflex has one remaining step before submitting the registration package for EPA approval of ADVASEAL® as a new physical pesticide formulation. Four of the five active ingredients (“active ingredients” or “TGAI”³) used on ADVASEAL® come from Asia and are not yet registered in the U.S.A. To simplify their registration as generic pesticides Imaflex has mandated a lab to prove their equivalence with TGAIs already registered and marketed in the U.S.A. Going forward, holding our own TGAI registration should provide us with greater autonomy as we commercialize ADVASEAL®, while also making us less reliant on a particular supplier. The work is progressing well and Imaflex remains on track to submit the TGAI and ADVASEAL registration package around summer 2021.

Impact of COVID-19 – All plants remain fully operational and running at normal levels

COVID-19 continues to have no significant impact on operations, nor is the Corporation experiencing any material issues with customer receivables or delays with suppliers and distribution channels. Imaflex is considered an essential vendor due to the important role its products play in protecting and preserving the integrity of products, particularly within the food and packaging industry. All plants remain fully operational and running at normal business levels, while no material capital project has been halted. Each plant has the ability to take on more volume should it be required due to business interruption at another location or heightened

³ A **technical grade active ingredient** (“TGAI”) is used for the manufacturing of pesticide end-use products and contains, in addition to the pure active ingredient, minor amounts of impurities.

order flow. The Corporation is monitoring developments closely and taking strong preventative measures to protect its employees, customers and business.

Outlook

“Looking ahead, the impact of COVID-19 on our business, financial situation and results remains unclear and cannot be predicted,” said Mr. Abbandonato. “Any outbreak at one of our plants, deferrals in purchases, payment issues with customers, or supply and distribution delays could impact performance. However, these risks are considered temporary and with a strong balance sheet and dynamic team the Corporation is well positioned to meet any challenges ahead.”

“Imaflex operates in a competitive pricing environment. This said, we believe our diversified customer base and multi-year investments in growth and innovation put us in a strong position, as reflected in the solid financials seen throughout 2020. The benefit and impact of our increasing scale should also continue, whereby incremental sales fall fairly meaningfully to the bottom line. Going forward, our sound balance sheet and strong cash flows also provides us with the financial flexibility to more readily purchase capital assets and look at possible acquisitions.”

Caution Regarding Non-IFRS Financial Measures

The Company’s management uses a non-IFRS measure in this press release, namely EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) and EBITDA excluding foreign exchange.

While EBITDA is not a standard International Financial Reporting Standards (IFRS) measure, management, analysts, investors and others use it as an indicator of the Company’s financial and operating management and performance. EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of the Company’s performance. The Company’s method of calculating EBITDA may be different from those used by other companies and accordingly it should not be considered in isolation.

About Imaflex Inc.

Founded in 1994, Imaflex is focused on the development and manufacturing of innovative solutions for the flexible packaging space. Concurrently, the Corporation develops and manufactures films for the agriculture industry. The Corporation’s products consist primarily of polyethylene (plastic) film and bags, including metalized plastic film, for the industrial, agricultural and consumer markets. Headquartered in Montreal, Quebec, Imaflex has manufacturing facilities in Canada and the United States. The Corporation’s common stock is listed on the TSX Venture Exchange under the ticker symbol IFX. Additional information is available at www.imaflex.com.

Cautionary Statement on Forward Looking Information

Certain information included in this press release constitutes "forward-looking" statements within the meaning of Canadian securities laws. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the management of the Corporation, are inherently subject to significant business, economic and competitive uncertainties, risks and contingencies. The Corporation cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Imaflex to be materially different from the Corporation's estimated future results, performance or achievements expressed or implied by those forward-looking statements and that the forward-looking statements are not guarantees of future performance. These statements are also based on certain factors and assumptions. For more details on these estimates, risks, assumptions and factors, see the Corporation's most recent Management Discussion and Analysis filed on SEDAR at www.sedar.com and on the investor section of the Corporation's website at

www.imaflex.com. The Corporation disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except as expressly required by law. Readers are cautioned not to put undue reliance on these forward-looking statements.

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Imaflex Contact:

John Ripplinger,
Vice-President Corporate Affairs
Tel: (514) 935-5710 ext. 157
Fax: (514) 935-0264
johnr@imaflex.com
www.imaflex.com